

Annual Report TO SHAREOWNERS

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CORPORATION FILE

Walgreen's

DRUGS

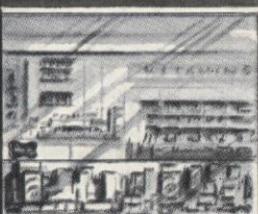
FOUNTAIN LUNCH



Walgreen's



DRUGS CIGARS



Walgreen's



PRESCRIPTIONS



1954

Walgreen Co.

Officers and Directors

C. R. WALGREEN, JR.	Director—President
A. A. BORG	Director—Vice President
SANFORD J. BOWYER	Director—Vice President
H. TRACY FOWLER	Director
ROBERT G. KNIGHT	Director—Vice President and Treasurer
EDWARD P. LESLIE	Vice President
BERT O. PINCH	Director—Assistant Secretary
R. G. SCHMITT	Director—Vice President and Secretary
A. L. STARSHAK	Director—Vice President
R. E. WALKER	Director—Agency Division
O. G. GILE	Assistant Secretary
W. W. LOW	Assistant Treasurer
P. J. REDFORD	Assistant Secretary
C. S. ZALEWSKI	Comptroller

Company General Auditor	M. W. PRATT
Public Accountants and Auditors	ARTHUR ANDERSEN & CO.

Transfer Agents	THE FIRST NATIONAL BANK OF CHICAGO
	GUARANTY TRUST COMPANY OF NEW YORK

Registrars	HARRIS TRUST AND SAVINGS BANK OF CHICAGO
	THE NATIONAL CITY BANK OF NEW YORK



To Our Shareowners

OUR sales reached a new high for the year. They were behind for the first half, as I mentioned in my mid-year letter. During the second half we ran ahead by over three and three quarter millions.

The improvement in sales was not matched by a commensurate gain in earnings: 98 cents

a share in the second half, added to 92 cents in the first, equalled \$1.90 for the year, compared with \$2.26 a year ago.

As noted last year, adjustments have to be made to meet changing customer shopping habits, intense competition, and high operating expenses, which in the initial stages have

been costly. Personnel changes at administrative levels were made during recent months. There now is evidence of a slight improvement in gross margins, as well as of operating economies. I feel that there is reasonable ground for believing that the unsatisfactory earnings trend of the last two or three years may show some reversal.

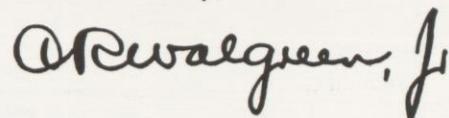
At year-end, we were operating 388 stores, compared with 390 a year ago. New stores opened are listed on a later page of this report, along with information about other improvements made during the year. Additional costs were incurred this year with the con-

solidation of our warehousing operations. We closed four, opened one, and now have eight.

In the current fiscal year there will again be a moderate amount of expansion. Additional self service stores, of which we now have 43, will be opened in substantial "drive-in" shopping centers at various points throughout the country. Some other stores will be converted to a self-serve basis or otherwise modernized.

We have perhaps gone through the most difficult phase of adjusting to the changing patterns of retailing, and with the organizational changes referred to completed, I feel optimistic about the outlook for this year.

Sincerely,



President

Chicago, November 19, 1954.

Walgreen Co. and Subsidiary Companies

COMPARATIVE BALANCE SHEET

ASSETS	1954	1953
CURRENT ASSETS:		
Cash	\$ 5,767,825	\$ 5,113,776
United States Government securities.....	741,524	1,465,703
Accounts receivable, less reserves.....	2,249,583	1,956,227
Inventories of merchandise, priced at the lower of cost or market, less reserves	22,516,940	23,440,729
TOTAL CURRENT ASSETS.....	31,275,872	31,976,435
 PREPAID RENT, INSURANCE, TAXES, ETC.....	 1,014,423	 1,225,080
 INVESTMENTS AND OTHER ASSETS:		
Investments in affiliated and other companies, at cost.....	1,604,413	2,042,394
Estimated net recovery of prior years' Federal income taxes.....	440,000	440,000
TOTAL INVESTMENTS AND OTHER ASSETS.....	2,044,413	2,482,394
 FIXED ASSETS, at cost:		
Land	22,000	37,000
Buildings (on owned and leased land).....	1,554,101	1,596,100
Equipment	18,591,051	17,699,910
 Less—Reserves for depreciation.....	 8,575,604	 8,270,736
TOTAL FIXED ASSETS	11,591,548	11,062,274
 GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC., at nominal amount	 1	 1
	\$45,926,257	\$46,746,184

—SEPTEMBER 30, 1954 AND 1953

LIABILITIES

	1954	1953
CURRENT LIABILITIES:		
Trade accounts payable.....	\$ 5,645,278	\$ 5,730,155
Accrued expenses and other liabilities.....	4,477,096	4,537,961
Federal and State income taxes.....	1,885,747	3,602,040
Notes payable	1,350,000	350,000
TOTAL CURRENT LIABILITIES.....	13,358,121	14,220,156
 2½% NOTE, due August 15, 1960; amounts ranging from \$350,000 to \$500,000 due annually (current maturity included above).....	 2,950,000	 3,300,000

CAPITAL STOCK AND SURPLUS:

Common stock, \$10 par value—		
Authorized 1,955,522 shares; issued and outstanding 1,292,485 shares	12,924,850	12,924,850
Earned surplus, per accompanying statement.....	16,693,286	16,301,178
TOTAL CAPITAL STOCK AND SURPLUS.....	29,618,136	29,226,028
	\$45,926,257	\$46,746,184

Walgreen Co. and Subsidiary Companies

COMPARATIVE STATEMENT OF PROFIT AND LOSS

For the Years Ended September 30, 1954 and 1953

	<u>1954</u>	<u>1953</u>
SALES AND OTHER INCOME:		
Net sales and other store income.....	\$184,267,030	\$181,537,634
Other income (net).....	192,266	216,655
	<u>184,459,296</u>	<u>181,754,289</u>
COSTS AND DEDUCTIONS:		
Cost of sales and of selling, occupancy and administration, except depreciation	177,299,826	173,501,228
Depreciation of buildings and equipment.....	1,282,865	1,212,877
Provision for contribution to employees' retirement pension trust.....	775,000	869,000
Improvements to leased properties.....	451,521	367,898
	<u>179,809,212</u>	<u>175,951,003</u>
INCOME BEFORE FEDERAL AND STATE INCOME TAXES	4,650,084	5,803,286
Provision for Federal and State income taxes.....	<u>2,190,000</u>	<u>2,880,000</u>
NET INCOME	<u>\$ 2,460,084</u>	<u>\$ 2,923,286</u>

COMPARATIVE STATEMENT OF EARNED SURPLUS

For the Years Ended September 30, 1954 and 1953

BALANCE BEGINNING OF YEAR	\$ 16,301,178	\$ 17,015,854
NET INCOME	<u>2,460,084</u>	<u>2,923,286</u>
DEDUCT:		
Dividends paid—\$1.60 per share in 1954 and \$1.70 in 1953.....	2,067,976	2,197,224
Transfer to common capital stock in connection with change from shares without par value to shares with \$10 par value on December 15, 1952	<u>—</u>	<u>1,440,738</u>
BALANCE END OF YEAR	<u>\$ 16,693,286</u>	<u>\$ 16,301,178</u>

ARTHUR ANDERSEN & CO.

**120 SOUTH LA SALLE STREET
CHICAGO 3**

To the Board of Directors,

WALGREEN Co.:

We have examined the consolidated balance sheet of WALGREEN Co. (an Illinois corporation) AND SUBSIDIARY COMPANIES as of September 30, 1954, and the related statements of consolidated profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the year ended September 30, 1953.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus present fairly the financial position of Walgreen Co. and subsidiary companies as of September 30, 1954, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

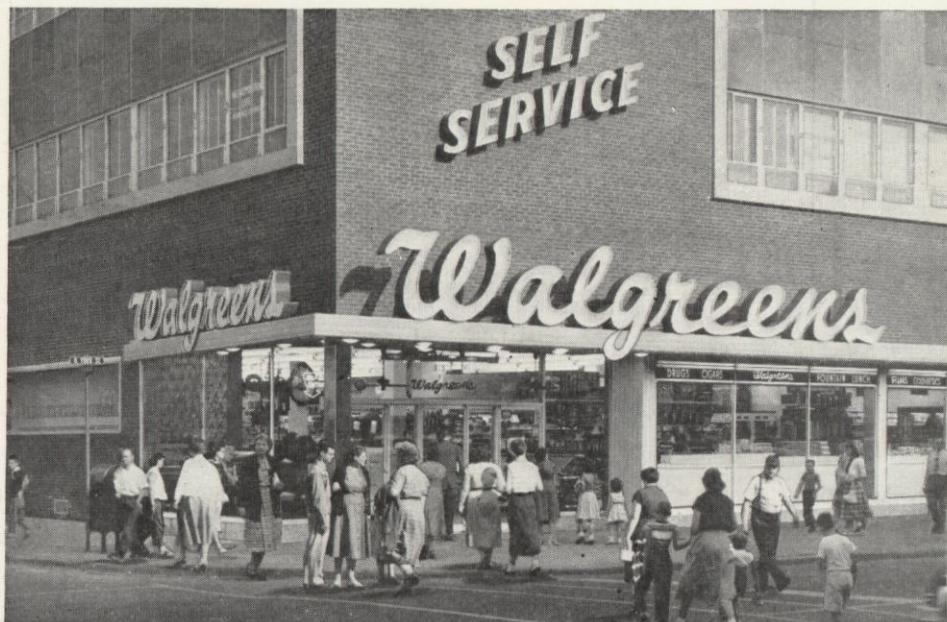
ARTHUR ANDERSEN & Co.

Chicago, Illinois,

November 15, 1954.

New Stores of 1954

Atlanta, Ga., 38 Broad, S. W.
Clinton, Iowa, 215 Fifth
Columbus, Ohio, 3491 Cleveland
Columbus, Ohio, 31 Graceland
Davenport, Iowa, 246 W. Third
DeWitt, N. Y., 3641 Erie
Elmhurst, Ill., 133 N. York
Glendale, Wis., 5916 Port Washington
Lake Charles, La., 801 Ryan
Moline, Ill., 1600 Fifth
Pasadena, Tex., 945 E. Shaw
Richfield, Minn., 64 W. 66th
Rock Island, Ill., 1801 Third
Salt Lake City, Utah, 1153 Simpson
Worcester, Mass., 520 Main
Yonkers, N. Y., 29 Mall Walk



Major Remodelings

Atlanta, Ga., 181 Peachtree
Chicago, Ill., 6257 South Park
Columbus, Ohio, 51 S. High
Council Bluffs, Iowa, 400 W. Broadway
Denver, Colo., 801 16th
Flint, Mich., 600 S. Saginaw
Greensboro, N. C., 218 S. Elm
Kankakee, Ill., 236 E. Court
Miami, Fla., 1 W. Flagler
Miami, Fla., 200 E. Flagler
New York, N. Y., 2081 Broadway
Sacramento, Cal., 930 "K"
Lake Forest, Ill., 296 E. Deerpath

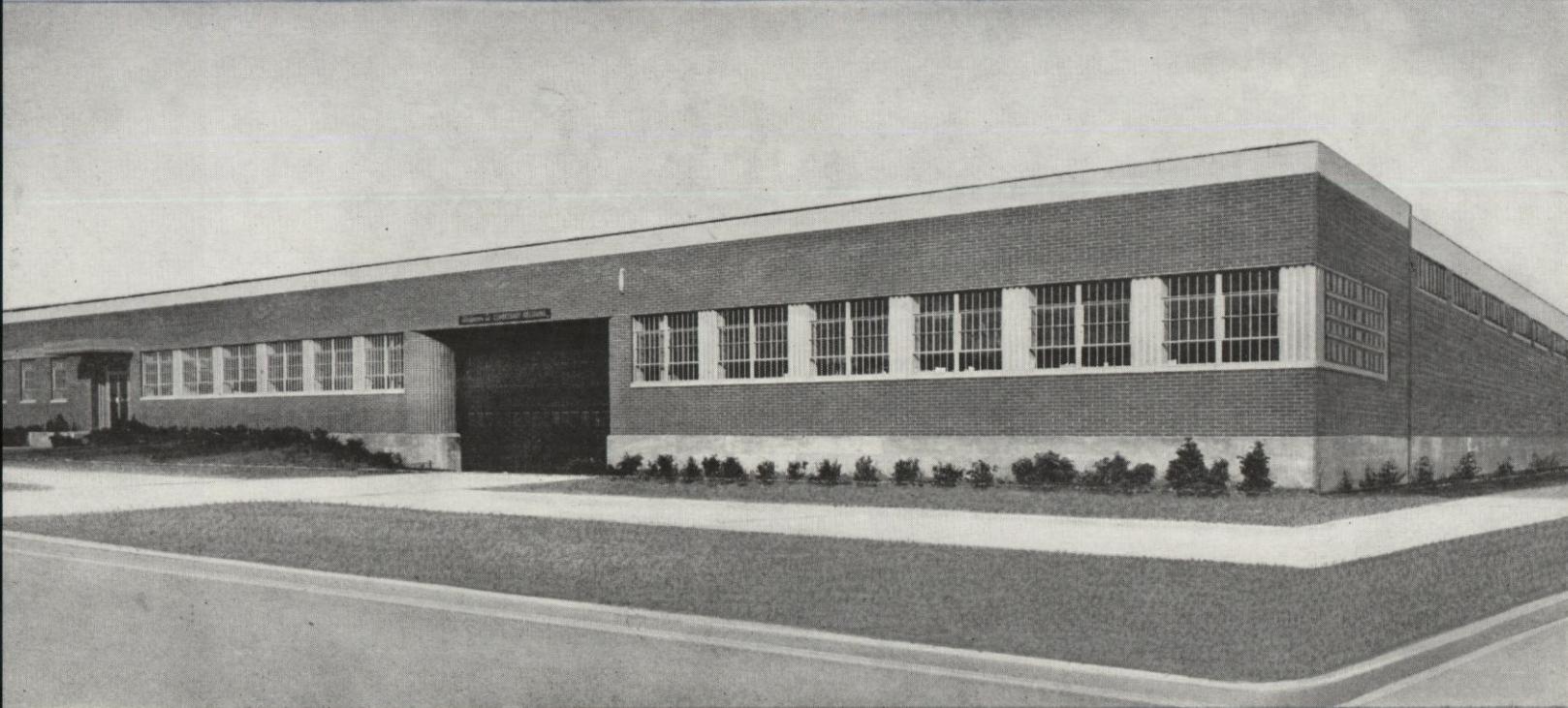


Warehousing

Important factor in our overall warehouse streamlining program was the recent opening of a new eastern warehouse, our Philadelphia facilities having become outmoded and inadequate. This new unit—strategically located at Teterboro, New Jersey—is well geared to supply all of our own stores in the East, as well as the Walgreen Agency drugstores in this area. In addition, this new building now houses the ice cream manufacturing and other food preparation plants which were formerly located on Long Island.



TEREBORO, New Jersey





Dependable

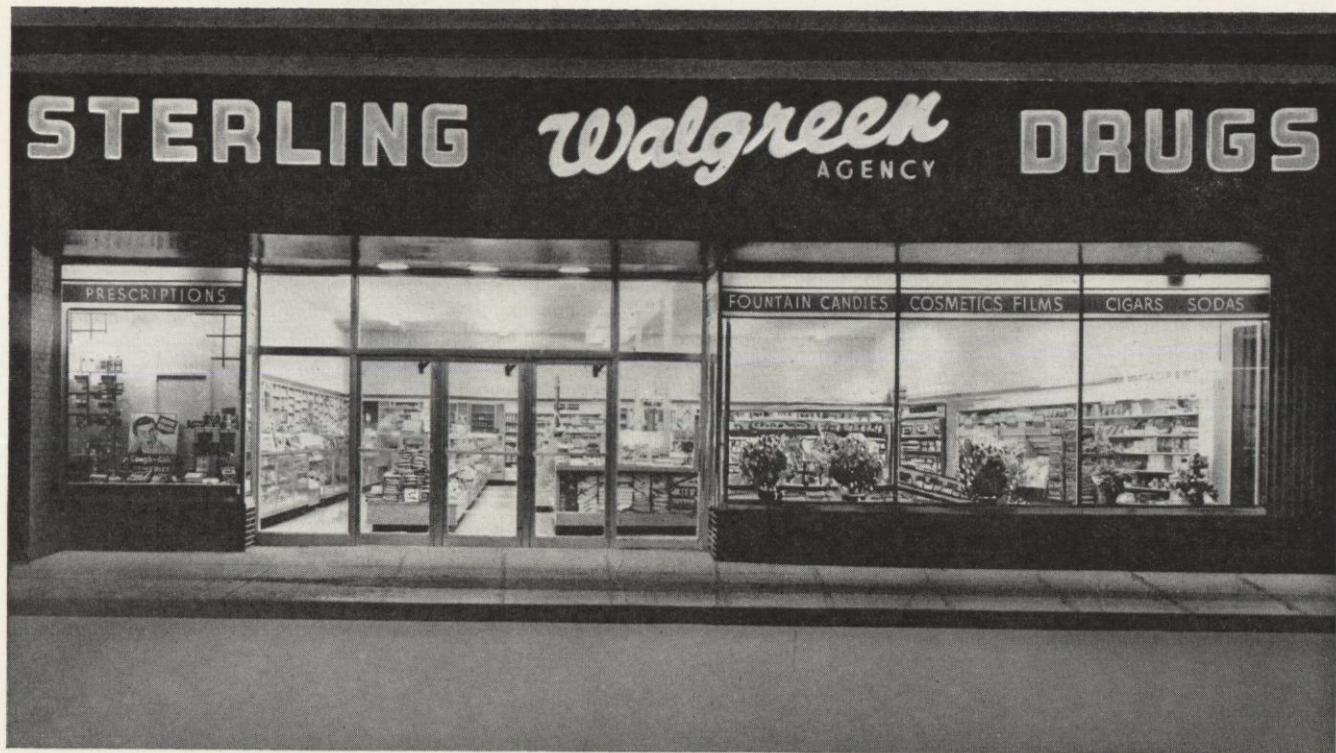


Prescription Progress

The steadily-growing prestige of our Prescription Service, firmly founded on the good will and confidence of the medical profession, is enhanced by advertisements like the one above in the AMA Journal. Monthly, 165,000 doctor-readers of this famed medical publication are reminded in brief, attention-getting messages of our professional qualities: Dependability, Fine Drugs, Fair Prices, Experience, Progressiveness. The basic formula guiding our progress in Pharmacy was established by Company Founder C. R. Walgreen, Sr.: "Compounding prescriptions with the utmost care is the most important single thing in our business." Today, as for over 50 years, our management and our Registered Pharmacists remain dedicated to this vital principle.

Walgreen Agency Drug Stores

These independently owned and operated stores
are selected for their prominence, reputation and potential growth.
They benefit from the merchandising methods
and operating procedures developed by our Company, as
well as from the high quality Walgreen-manufactured merchandise
which they make available to their customers.



Distribution of Sales



As a share-owner you'll be interested in the map above, noting our sectional distribution of sales. Walgreen Drug Stores—at prime locations throughout the country—serve communities from Maine to California:

"Walgreen's—the Nation's Name for Drug Store"



*"More people trade at Walgreen's
than at any other drug stores
in the world."*